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By: **Delegates Kach and Love**

Introduced and read first time: January 31, 2003

Assigned to: Economic Matters

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A BILL ENTITLED

1 AN ACT concerning

2                                   **Insurance - Premium Financing - Return of Unearned Premiums on**  
3                                   **Cancellation of Insurance Contract**

4 FOR the purpose of limiting to a certain amount the administrative fee that may be  
5 excluded from certain gross unearned premiums that must be returned to a  
6 premium finance company by an insurer when an insurance contract is  
7 canceled; altering the items that may be excluded from certain gross unearned  
8 premiums; and generally relating to premium financing.

9 BY repealing and reenacting, with amendments,  
10 Article - Insurance  
11 Section 23-405(a)  
12 Annotated Code of Maryland  
13 (2002 Replacement Volume and 2002 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
15 MARYLAND, That the Laws of Maryland read as follows:

16                                   **Article - Insurance**

17 23-405.

18 (a) (1) Notwithstanding any other provision of this article, when an  
19 insurance contract is canceled, whether by a premium finance company, an insurer, or  
20 an insured, the insurer shall return any gross unearned premiums that are due under  
21 the insurance contract, computed pro rata, and excluding any [expense constant,  
22 administrative fee, [or any nonrefundable charge] NOT TO EXCEED \$50 PER POLICY,  
23 THAT IS filed with and approved by the Commissioner, to the premium finance  
24 company for the account of the insured within a reasonable time not exceeding 45  
25 days after:

26                                   (i) receipt by the insurer of a notice of cancellation from the  
27 premium finance company or the insured;

28                                   (ii) the date the insurer cancels the insurance contract; or

1 (iii) completion of any payroll audit necessary to determine the  
2 amount of premium earned while the insurance contract was in force.

3 (2) An audit under paragraph (1)(iii) of this subsection shall be  
4 performed within 45 days after the insurer receives the notice of cancellation.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 October 1, 2003.